

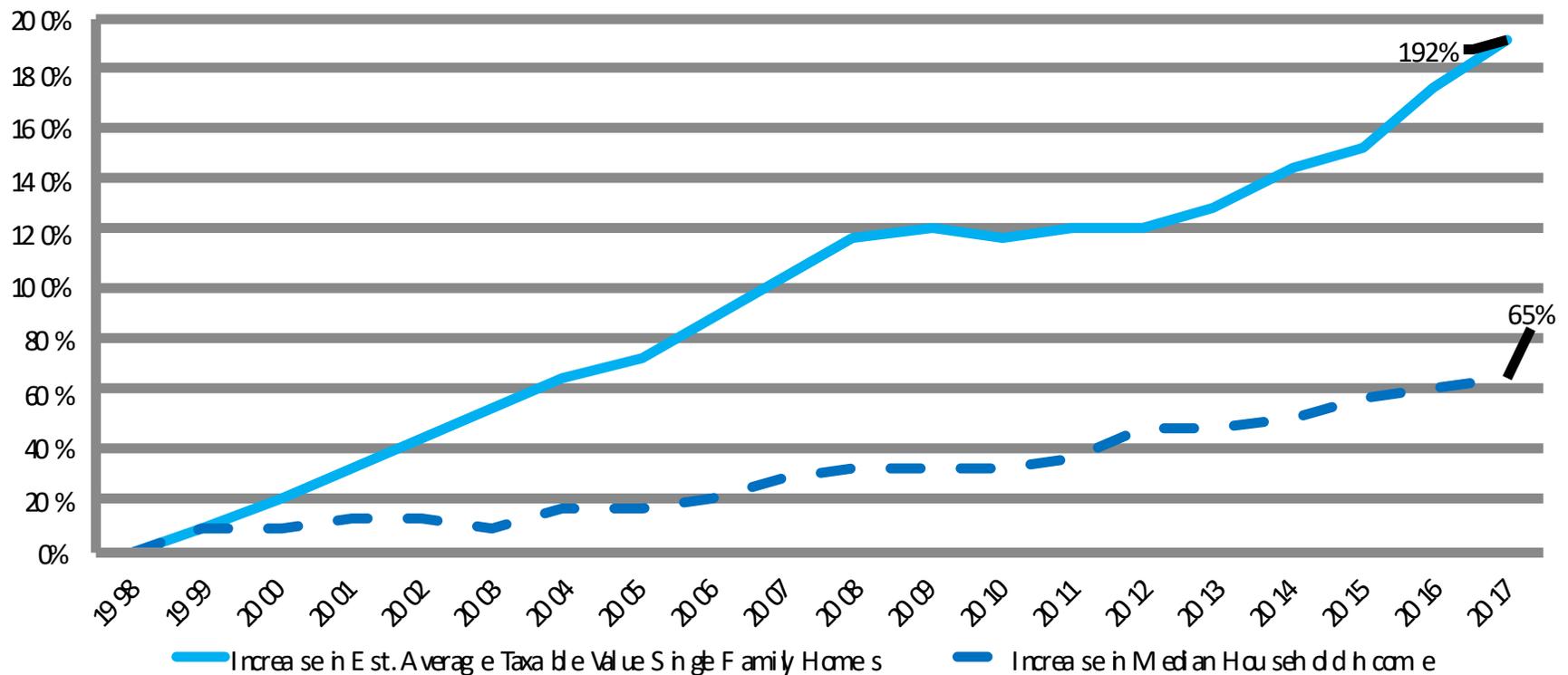


# School Property Tax & Recapture Reform

Senate Committee on Property Tax

February 6, 2019

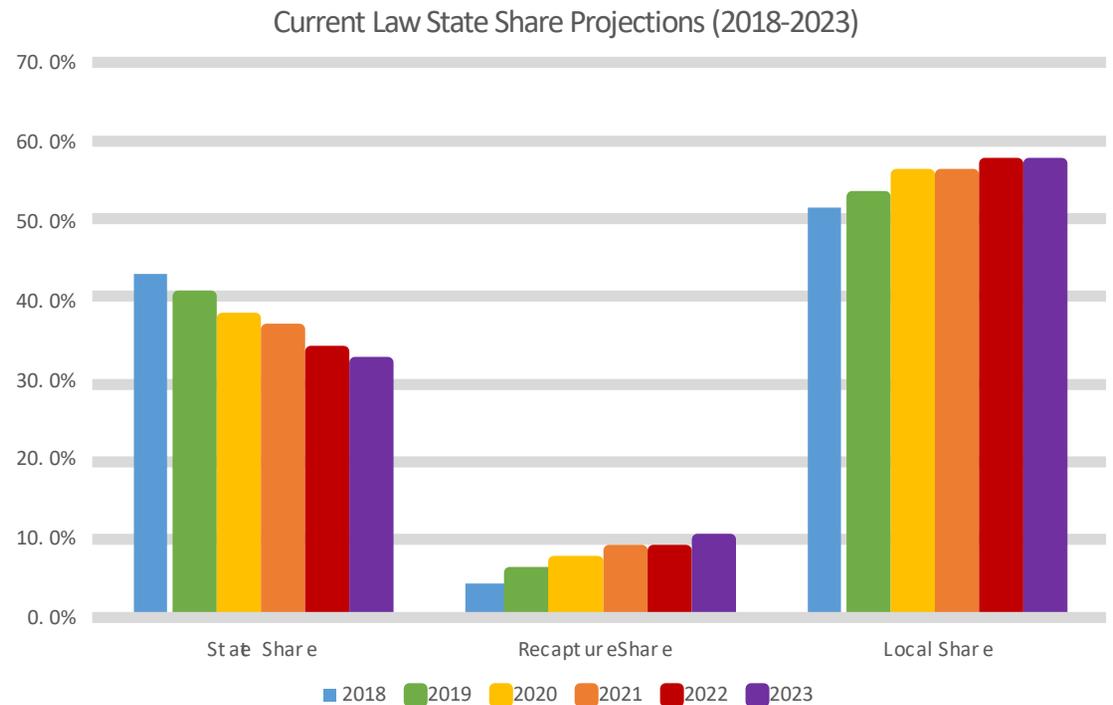
# Fixed Tax Rates – Coupled with Property Value Growth – Cause Property Tax Bills to Grow Faster than Ability to Pay



# Why is there a need for a cap?

## The State Share Will Fall to 32% by 2023

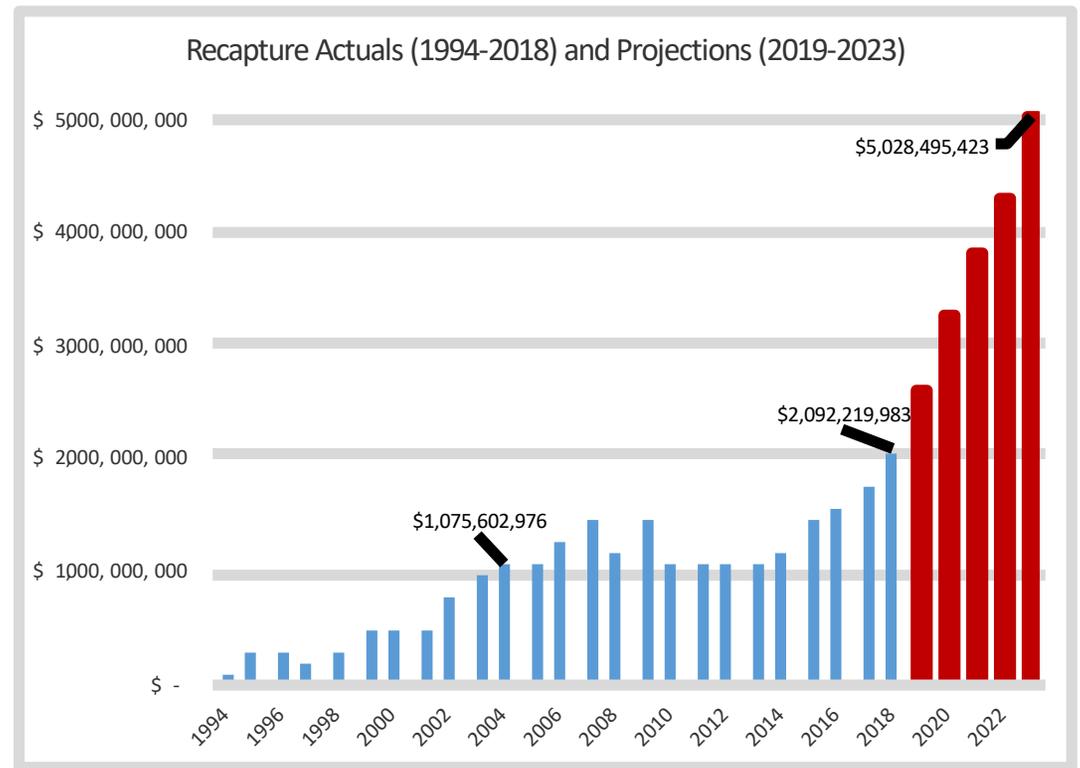
- Current law projections have the state share of public education M&O funding falling to 32% in 2023
- Recapture will double its share of public education funding
- Local property taxes (including recapture) will finance 68% of education in 2023



# Why is there a need for a cap?

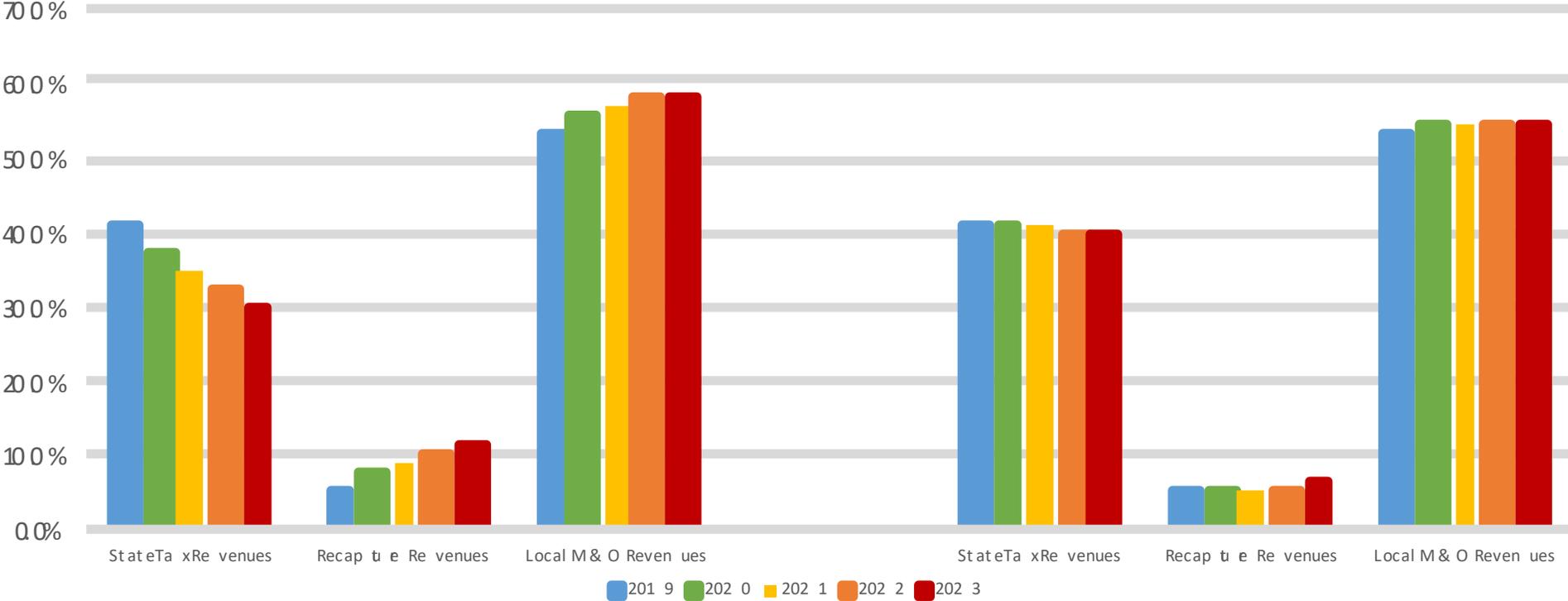
## Without Tax Reform, Recapture Will Also Skyrocket

- As property values have increased, more districts have entered recapture and those districts in recapture have seen their payments continue to increase.
- Without reform, the total amount of recapture and the size of district recapture payments will continue to grow rapidly.



# At 2.5%, the State Share of Public Education Balances

**Impact of 2.5% Revenue Cap on State vs. Local Share of M&O Funding**  
*(Left: Current Law FY 18-23; Right: Current Law FY 18-19 and Proposed FY 20-23)*

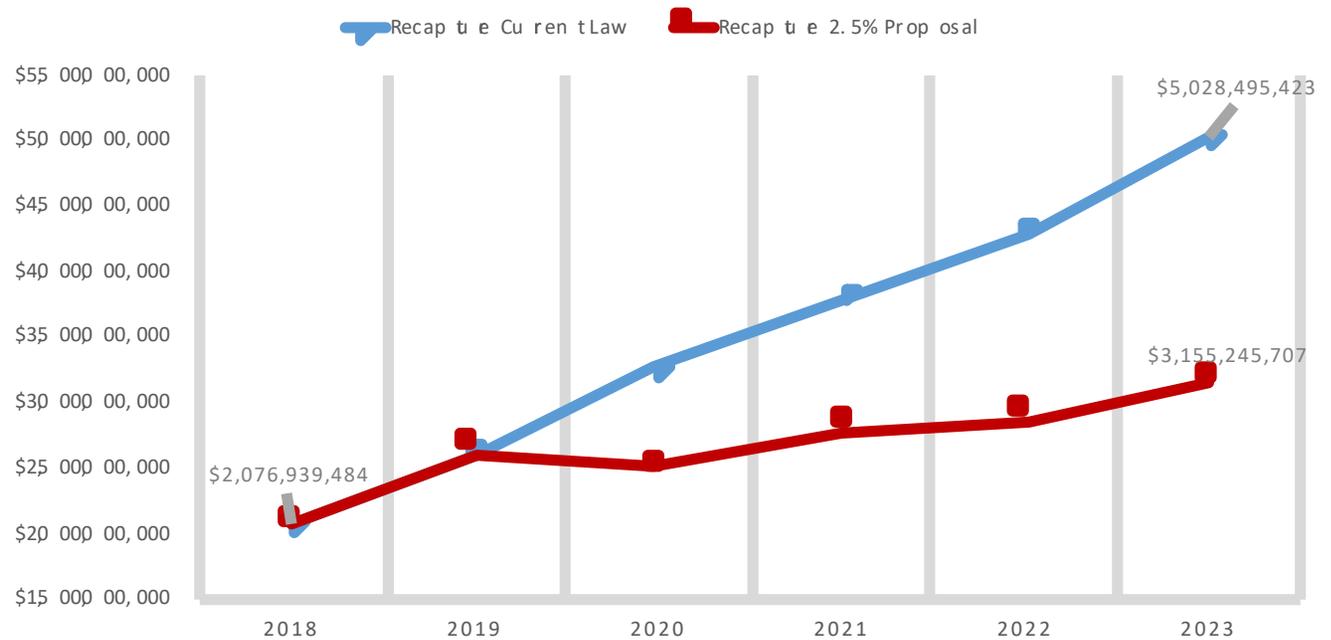


# Projected Recapture Effects - Statewide

*Note: All projections are in draft form and are subject to change.*

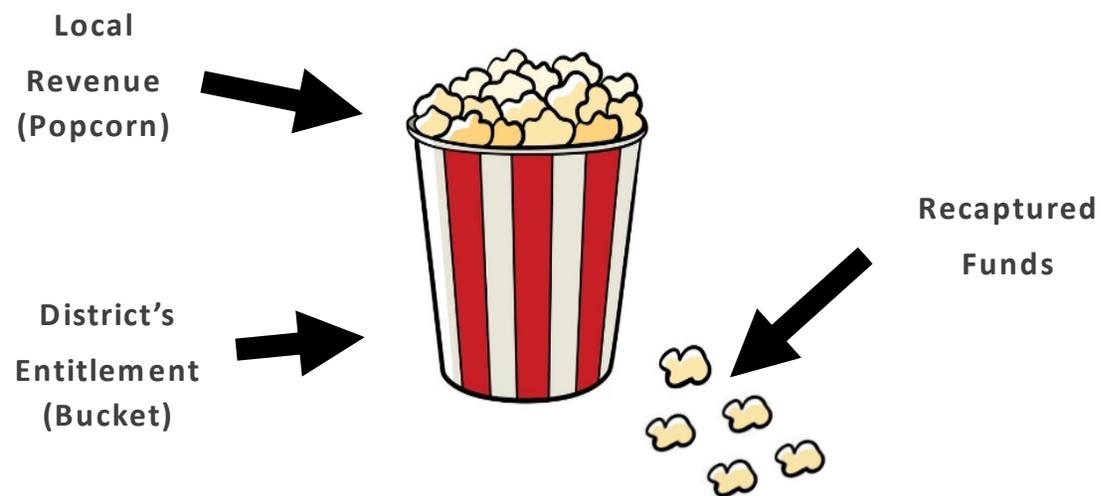
\$1.87 billion  
decline in  
projected  
recapture by  
2023

### ANNUAL RECAPTURE UNDER CURRENT LAW AND 2.5% PROPOSAL



# How people believe “Robin Hood” works

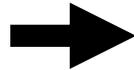
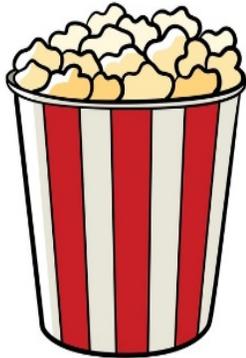
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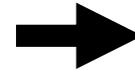
# How it often actually works

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It often doesn't matter how much money the formulas say you should receive.



Recapture always happens at a designated equalized wealth level.



You can start paying recapture before your bucket has been filled.



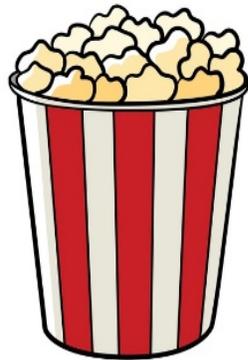
*Additional reforms can further slow – and potentially decrease – recapture payments.*



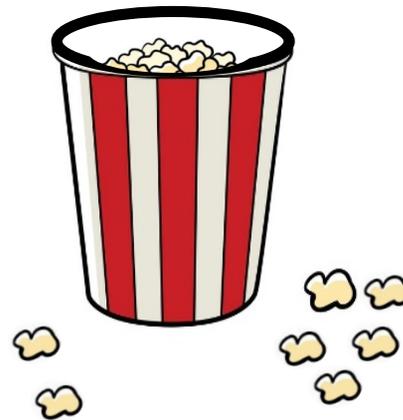
# Instead of this...

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**Non-recapture  
District**



**Some Recapture  
Districts**



Unlike current law, all districts will receive their full entitlement

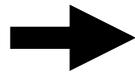
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**All Districts**

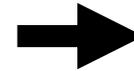


# Merging Recapture Reform with Outcomes Reform

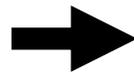
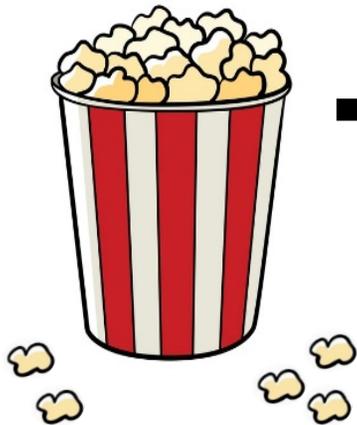
The state will fully fund all districts' entitlements.



As a district increases teacher pay and improves its outcomes, the state owes the district more money.



As a district's bucket get bigger, the district owes less money in recapture.



**Better teacher pay**      **Better outcomes**

